



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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The Honorable Nick J. Rahall, II
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Rahall:

I am responding to your letter dated June 23, 2010, on behalf of your constituents. You requested confirmation that the reporting of health coverage benefit costs on Forms W-2 that the Health Care and Education Affordability Reconciliation Act of 2010 requires, does not change the tax treatment of health coverage benefits.

The requirement to report the aggregate cost of health coverage does not affect the tax treatment of the health coverage. Employer-provided health benefits for an employee, an employee's spouse, or an employee's dependents are tax-free to the employee as under prior law.

Employers must issue Forms W-2 to employees to provide required information under Section 6051(a) of the Internal Revenue Code (the Code). The Health Care and Education Affordability Reconciliation Act of 2010 added subsection (a)(14) to the Code to require that employers also report on Forms W-2 the aggregate cost of employer-sponsored health coverage, except for amounts under Archer Medical Savings Accounts, Health Savings Accounts, or salary reduction contributions to a flexible spending arrangement. [Section 9002 of the Act]. The new reporting requirement is effective for the 2011 calendar year.

I hope this information is helpful. If you need further information, please contact me or
at .

Sincerely,

Janine Cook
Chief, Employment Tax, Branch1
Office of the Division Counsel/Associate
Chief Counsel (Tax Exempt & Government
Entities)